Spectrum usage charges

643. SHRI DHARAM PAL SABHARWAL: Will the Minister of COMMUNICATIONS AND INFORMATION TECHNOLOGY be pleased to state:

(a) whether Ministry of Finance has suggested certain changes in the Spectrum Usage Charges for 3G services;

(b) if so, the details of amendments suggested by the Ministry of Finance; and

(c) the amendment which has been accepted by the DoT and reasons for not accepting other recommendations?

THE MINISTER OF STATE IN THE MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY (SHRI JYOTIRADITYA MADHAVRAO SCINDIA): (a) to (c) Yes Sir. Based on the suggestions of the Ministry of Finance, amendment in the spectrum usage charges have been made as under:

Item	Guidelines for Auction and Allotment of Spectrum for 3G Telecom Services dated 1.8.2008	Amendment dated 11.9.2008
Spectrum Usage Charges	The licensee shall pay annual spectrum charge of 1% of AGR after a period of one year.	The licensee shall pay annual spectrum charge of 1% on the incremental revenue due to 3G services after a period of one year. The method of calculation shall be notified shortly.

Copies of guidelines dated 1.8.2008 and amendments dated 11.9.2008 are given in the Statement.

Statement

Copies of guidelines and Amendment

Government of India
Ministry of Communications & IT
Department of Telecommunications
WPC Wing

Dated 1 August 2008

Guidelines forAuction and Allotment of Spectrum for 3G Telecom Services

The Government of India hereby announces the following guidelines for auction and allotment of spectrum for 3G telecom services.

1. **Frequency Bands**:

• Spectrum in 2.1 GHz band shall be allocated for 3G telecom services through bidding/ auction;

2. **Eligibility for Bidding for 3G Spectrum**

Any person

(i) who holds a UAS licence or

(ii) who fulfils the eligibility criteria for obtaining a Unified Access Service Licence(UASL) as per Department of Telecommunications guidelines dated 14.12.2005 and has previous experience of running 3G telecom services can bid for 3G spectrum.

3. Amount of Spectrum

3.1 Spectrum shall be auctioned in blocks of 2x5 MHz in 2.1 GHz band. The number of blocks to be auctioned may vary from 5 to 10 subject to availability in different telecom service areas. In exceptional cases of non-availability, the number of blocks may be less than 5 in a telecom service area. The actual number of blocks to be auctioned in a telecom service area will be announced well before the auction.

(a) The auction of spectrum shall be telecom service area wise as defined in UAS guidelines dated 14.12.2005 subject to availability. Each successful bidder shall be allocated only one block in a telecom service area.

(b) The bidders can make bids for one block of 2 x 5 MHz each for 3 G telecom services in the 2.1 GHz band(1920 - 1980 MHz for uplink and 2110-2170 MHz for downlink) in a telecom service area.

(c) The technology used would have to co-exist with other technologies/ services/applications operating in 2.1 GHz band.

3.2 Spectrum shall be auctioned in the 450 MHz band, in 800 MHz band for EVDO services, and in 1900 MHz band (1900-1910 paired with 1980-1990 MHz) when it becomes available. UASL CDMA telecom service providers may have the option to seek 2x1.25 MHz in 800 MHz band subject to availability at a price equivalent to the highest winning bid in 2.1 GHz auction prorated to a per 2x1.25 MHz price. The seniority for allotment shall be the subscriber base in a telecom service area.

4. Mergers and Acquisitions

- Mergers and acquisitions shall be as per guidelines on the subject issued by Department of Telecommunications vide No. 20-100/2007-AS-I dated 22nd April 2008 **or any subsequent revision thereof.**

5. Reserve Price & Earnest Money for the Bids

- The 'Reserve Price' for a 2 x 5 MHz block of spectrum for each of Metro Category 'A' areas, Category 'B' & 'C' service areas shall be as under:

Service Area	Reserve Price (Rs. in crore)
Mumbai, Delhi and Category 'A'	160
Kolkata & Category 'B'	80
Category 'C'	30

- In the event of subsequent auctions, due to more spectrum becoming available, the reserve price will be the highest bid price of the last auction.
- The earnest money (in the form of a Bank Guarantee from a Schedule Bank) shall be 25% of the reserve price.

6. **Auction Process**

Auction amount as per **successful** bid shall be payable upfront. For this purpose, a controlled, simultaneous, ascending e-auction shall be conducted, as per details to be notified separately. The broad stipulations shall be as follows:-

(a) The bidding shall be service area wise.

(b) The reserve price for auction shall be set for each service area.

(c) The bid shall be submitted in Rupees for a block of 2 x 5 MHz spectrum for 2.1 GHz band.

(d) Successful bidder shall deposit 25 per cent of the successful bid amount as bid deposit within 5 days of the close of the auction, failing which the earnest money shall stand forfeited.

(e) Successful bidder shall deposit the balance amount (bid amount - bid deposit) within fifteen calendar days of the bid, failing which the earnest money shall stand forfeited.

(f) Neither a bidder can withdraw a bid after placing, nor it can reduce a bid in subsequent rounds. If a bidder withdraws a bid at any point of time, the earnest money deposited shall stand forfeited.

(g) The Government of India reserves the right to disqualify any bidder violating these rules.

(h) If the number of bids is less than or equal to the number of spectrum blocks available in the service area, the spectrum shall be allocated to all the bidders at the highest bid price. If the number of bids is greater than the number of spectrum blocks available, the auction shall proceed as per e-auction rules.

(i) One block shall be allocated to MTNL in Delhi and Mumbai/Metro service Areas and BSNL in other Service Areas at a price equal to the highest bid in the respective service area. When the number of bidders left is equal to the number of blocks of spectrum being auctioned in any service area, the auction shall be closed. All the bidders shall have to match the bid of the highest bidder (H1). In case they do not match, then that block would be offered to the next highest bidder at the highest bid price (H1). If any block is left vacant then that block shall be re-auctioned.

(j) The top bidders shall be called in decreasing order of their bids to choose which block of spectrum they wish to be allocated.

(k) If there is a tie between more than one bidder, then preference would be given to an existing service provider in that telecom service area.

(l) If there is a tie between more than one bidder who are all existing service providers in that telecom service area, preference would be given to the bidder with the highest subscriber base.

7. **Grant of Licence**

(a) The successful bidder shall get spectrum allotment for 3 G services for a period of 20 years. Successful bidders who are not UAS licensees would be granted a separate UAS Licence for the concerned service area under Indian Telegraph Act, 1885. The terms and conditions of existing UAS licence shall be amended accordingly.

(b) The successful bidder shall obtain SACFA clearance and a separate wireless operating licence from Wireless Planning and Coordination (WPC) Wing as per prescribed procedure.

(c) In case UASL is cancelled/terminated for any reason, the spectrum allotted shall stand withdrawn forthwith;

(d) If the period of existing UAS telecom licence of a successful bidder is expiring before this period of 20 years for spectrum allotment for 3G services, its existing UAS licence shall be extended in the 19th year of its validity to a date 20 years from the date of 3G spectrum allotment at a price as may be determined by the Government at the time of extension of licence. This extension shall be done in the 19th year of the UAS licence for the period required to make it co-terminus with the 3G spectrum allocation period by amending licence conditions if required.

(e) A separate entry fee shall be payable for grant of UAS licence for 3G Telecom Services in addition to 3G spectrum auction price. This shall be equal to the entry fee of the UAS licence.

8. **Roll Out Obligations:**

The roll out obligations for 3G services in various service areas shall be as follows:

Category of Circle	At the End of 3 Years From Date of 3G Spectrum Allocation	At the End of 5 Years From the Date of 3G Spectrum Allocation
Metros	-	90% of metro area
A, B and C	-	50% of the DHQs or cities in the service area ***out of which 15% of the DHQs should be rural SDCAs.***

9. **Penalty for Spectrum Hoarding:**

If licensee does not achieve its roll out obligations under para 8 above, it shall be given a further period of one year to do so by making payment of 2.5 per cent of its successful auction bid (*i.e.* spectrum acquisition price) per quarter or part thereof as penalty. If licensee does not complete its roll out obligations even within the extended period of one year, the spectrum assignment shall stand withdrawn.

10. **Spectrum Usage Charges:**

- No annual spectrum charge shall be payable for 3 G Telecom services in the first year from the date of allotment of spectrum.
- The licensee shall pay annual spectrum charge of 1% of AGR after a period of one year.

11. **Other Issues:**

- The Government of India reserves the right to amend or modify these terms and conditions before the commencement of auction process. The final conditions shall be as indicated in the bidding document.

- The Government of India reserves the right to cancel the bidding process or disqualify any bidder.
- Trading/sharing of spectrum, if any, shall be governed by policy as may be determined by the Government of India.
- Auction shall be conducted by an independent expert agency to be appointed for this purpose by the Government of India.

F. No. P-11014/16/2008-PI

Government of India
Ministry of Communications & IT
Department of Telecommunications
WPC Wing

Dated 11th September 2008

Clarification/Amendments to the Guidelines for Auction and Allotment of Spectrum for 3G Services issued on August 01, 2008

A number of queries/requests for clarifications and suggestions for amendment were received from various sources on the guidelines for Auction and Allotment of Spectrum for 3G Services issued by DoT on August 01, 2008. Based on the feedbacks and inputs received, following clarifications/amendments are provided:

Para No. of guidelines	Existing	Substituted by
(a)	(b)	(c)
2. Eligibility for Bidding for3G	Any person (i) who holds a UAS licence or Spectrum (ii) who fulfills the eligibility criteria for obtaining a Unified Access Services Licence (UASL) as per Department of Telecommunications guidelines dated 14.12.2005 and has previous experience of running 3G telecom services can bid for 3G spectrum	Any person (i) who holds a UAS/CMTS licence; or (ii) (a) who has previous experience of running 3G Telecom Services; and (b) gives an undertaking to obtain Unified Access Services Licence (UASL) as per Department of Telecommunications guidelines dated 14.12.2005 before starting telecom operations can bid for 3G spectrum
3. Amount of Spectrum Sub para 3.2	Spectrum shall be auctioned in the 450 MHz band, in 800 MHz band for EVDO services, and in 1900 MHz band (1900 - 1910 paired with 1980-1990 MHz) when it becomes available. UASL CDMA telecom service providers may have the option to seek 2x1.25 MHz in 800 MHz	Spectrum shall be auctioned for 3G services in the 450 MHz band, 2x1.25 MHz in 800 MHz band for EVDO services, and in 1900 MHz band (1900 -1910 paired with 1980-1990 MHz) when it becomes available. The reserve price for auction of one block of 2x1.25 MHz

(a)	(b)	(c)
	band subject to availability at a price equivalent to the highest winning bid in 2.1 GHz auction prorated to a per 2x1.25 MHz price. The seniority for allotment shall be the subscriber base in a telecom service area.	spectrum in 800 MHz band shall be 25% of reserve price for 2x5 MHz in 2.1 GHz band. The reserve price for one block of spectrum in 450 MHz and 1900 MHz bands would be notified separately.
4. Mergers and Acquisition Sub para 4.1	Mergers and acquisitions shall be as per subject policy guidelines on issued by DOT vide No. 20-100/2007-AS-I dated 22nd April 2008 or any subsequent revision thereof.	Mergers and acquisitions shall be as per policy guidelines on the subject issued by the DOT vide No. 20-100/2007-AS-I dated 22nd April 2008 or any subsequent revision thereof. This policy is applicable for merger between two UASL holders only in a service area.
7. Grant of Licence. Sub para 7 (d)	If the period of existing UAS telecom licence of a successful bidder is expiring before this period of 20 years for spectrum allotment for 3G services, its existing UAS licence shall be extended in the 19th year of its validity to a date 20 years from the date of 3G spectrum allotment at a price as may be determined by the Government at the time of extension of licence. This extension shall be done in the 19th year of the UAS licence for the period required to make it *co-terminus* with the 3G spectrum allocation period by amending licence conditions if required.	If the period of existing UAS telecom licence of a successful bidder is expiring before this period of 20 years for spectrum allotment for 3G services, its existing UAS licence shall be extended in the 19th year of its validity to a date 20 years from the date of 3G spectrum allotment in such manner, as the Government deems fit. This extension shall be done in the 19th year of the UAS licence for the period required to make it co-terminus with the 3G spectrum allocation period by amending licence conditions if required.
10. Spectrum Usage Charges:	• No annual spectrum charge shall be payable for 3 G Telecom services in the first year from the date of allotment of spectrum.	• No annual spectrum charge shall be payable for 3 G Telecom services in the first year from the date of allotment of spectrum.
	• The licensee shall pay annual spectrum charge of 1% of AGR after a period of one year.	• The licensee shall pay annual spectrum charge of 1% on the incremental revenue due to 3G services after a period of one year. The method of calculation shall be notified separately.

(a)	(b)	(c)
11. Other issues	The Government of India reserves the right to cancel the bidding process or disqualify any bidder.	The Government of India reserves the right issues to cancel the bidding process or disqualify any bidder without assigning any reason.

Bifurcation between tower business/operations by telecom operators

644. SHRI DHARAM PAL SABHARWAL: Will the Minister of COMMUNICATIONS AND INFORMATION TECHNOLOGY be pleased to state:

(a) whether Telecom Regulatory Authority of India (TRAI) has initiated a study to find out as to how the operators are separating the tower business from the accounts of their parent firm;

(b) if so, the complete details thereof; and

(c) the names of telecom operators who are bifurcating their tower businesses/operations?

THE MINISTER OF STATE IN THE MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY (SHRI JYOTIRADITYA MADHAVRAO SCINDIA): (a) No, Sir.

(b) Not applicable in view of (a) above.

(c) M/s Bharti Airtel Ltd., M/s Tata Teleservices Ltd., M/s Reliance Communications Ltd., and M/s Vodafone Essar Ltd. have reported bifurcation of their tower businesses/operations.

3G telecom services

645. SHRI MOINUL HASSAN: Will the Minister of COMMUNICATIONS AND INFORMATION TECHNOLOGY be pleased to state:

(a) whether Government has contemplated to introduce Third Generation (3G) telecom services;

(b) if so, whether foreign companies will be allowed in telecom sector;

(c) whether Government has offered to existing domestic operators and public sector BSNL for 3G telecom services; and

(d) if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY (SHRI JYOTIRADITYA MADHAVRAO SCINDIA): (a) and (b) Yes, Sir. The Government has announced detailed guidelines for auction and allotment of spectrum for 3G Telecom Services, on 01.08.08 and cetain amendments on 11.09.08. As per this guidelines any person,

(i) Who holds a UAS/CMTS licence; or

(ii) (a) who has previous experience of running 3G Telecom Services; and